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C H A P T E R 1

INTRODUCTION

1.1 APPROACH TO THE PROBLEM :

Effective management practice cannot be attained unless there is information available to directors and managers at regular intervals. It enables them to know how their operations and activities are proceeding in relation to their intended targets, plans and objectives. This essential requirement is no more than a simple demonstration of the inter-relation of the basic managerial elements of planning and control. The inter-relation is in the form of feed-back cycle.

One interesting feature which was observed in the operation of the THE KOLHAPUR STEEL LIMITED, KOLHAPUR was that it had reached the lowest quantum of profit (before tax) of Rs. 0.86 lacs during the year 1982-83. Since then the profit of the company reached to the satisfactory level of Rs. 25.17 lacs during the year 1984-85. The company also maintained the same or somewhat a higher level of profit of Rs. 25.72 lacs during the year 1985-86.

Therefore, it appeared to the researcher that the increase in profit to a satisfactory level and maintenance of the same level was due to proper and efficient system of information and reporting to the management. Hence, the researcher has stated the problem in such a way -

1.2 A STUDY OF "INFORMATION SYSTEM AND REPORTING TO

MANAGEMENT"

IN

THE KOLHAPUR STEEL LIMITED, KOLHAPUR.

1.3 OBJECTIVES OF THE STUDY :

1. To observe the present system of information and reporting to the management in THE KOLHAPUR STEEL LIMITED, KOLHAPUR
2. To find out the positive and negative points in the system.
3. To make suggestions wherever necessary in further developing the system.

1.4 METHODOLOGY OF THE STUDY :

A case study method of research was used for the purpose of this study. Case study means intensive investigation of the particular unit. The basic unit of the case study is a case - a peculiar or particular one of its kind.

"Case study is a method of exploring and analysing the life of a social unit - be that unit a person, a family, institution, culture group or even an entire community".¹

Thus, case study refers to

- close study of an unit,
- deep study,
- cumulative study etc.

THE KOLHAPUR STEEL LIMITED, KOLHAPUR, a mini steel plant, a company being a legal entity, had been a case for the researcher. Therefore, the researcher used the case study method of research.

Advantages of case study method :

1. A case study method of research is useful to the case in which

1. R. A. SHARMA, "Fundamentals of educational research"; International Publishing House : Meerut(UP).84-85,P.No. 265

the research is made. This is because, the suggestions are made for further improvement of the case.

2. It is also useful to other similar cases.

3. It is useful to the cases which are newly entering into the field on the similar lines. Theoretical aspect explains for them about how the system should be.

1.4.1 SOURCES OF DATA :

The necessary data were collected from primary as well as secondary sources. In order to collect the data from secondary sources "Purposive Sample" technique was used as the researcher was familiar with the different documents used in the system.

In order to collect the primary data "Inquiry Schedule" was used as a major tool.

When the forms (of questions) are filled in the presence of the researcher, it is usually referred to as a schedule. When the same forms are sent by post it is referred to as a questionnaire.

It was possible for the researcher to attain the company and to get the forms filled in his presence. So, the researcher used the "Inquiry Schedule" as a major tool of research.

In order to validate the information collected "Interview" and "Observation" were used as the tools of a research.

Interview is an oral type of questionnaire. Instead of writing the response, the interviewee gives the needed information verbally in a face-to-face relationship.

It was possible for the researcher to use participant observation tool of research.

1.5

SIGNIFICANCE OF THE STUDY :

In small units the necessity of communicating information may not arise as the owner is in close contact with all the departments. So, he has an intimate knowledge of all happenings in the business. But in big concerns, the size of business is so large that the owners and top management are not in contact with all the activities of the business. So, necessity of communication of information arises for taking appropriate action.

In the present world of technological revolution, both men and machine require information to accomplish work. Each have characteristic ways of transmitting, receiving, channeling and storing information.

A proper system of information saves time in searching the required information, and also avoids duplicative efforts.

Today's fast-growing complex organisation requires far more sophisticated business and managerial skills. New concepts, new techniques, and new tools of management are being developed every day. Top management as well as middle-level executives need to be constantly upto date with these tools. In case of late information either control is lost or an emergency has developed, or the information has become worthless. Thus, the age of information causes severe penalties if it becomes excessive. What constitutes excessive age is different in different situations, such as -

a. In case of a jet aircraft flying at the rate of 600 mph information is aged excessively after spending two minutes at the control centre without being acted upon.

b. On the other hand, in case of management of steel plant the late information regarding say inventory level, will pose serious problems of "Out of stock" situation.

Thus, the proper information system saves time, energy and money in all respects and helps to increase the profit.

1.6 SCOPE AND LIMITATIONS OF THE STUDY :

a. The study relates only to the information system and reporting to management in "THE KOLHAPUR STEEL LIMITED" Kolhapur only.

b. The study is limited to the present information system and reporting to management in respect of financial control of working capital.

c. In order to explain certain points clearly a period of latest five years is considered i.e. from 1981-82 to 1985-86 for the study.

d. Observations are made after analysing the data.

e. Data has been collected through primary and secondary sources.

1.7 REVIEW OF RELATED LITERATURE :

There is a literature on the same company and partly on the same topic. A review of that literature is taken in order to prove that the topic under consideration is new one. The details of that literature are as follows -

Report on

Organisational analysis and management

Information systems

At THE KOLHAPUR STEEL LIMITED, KOLHAPUR

September - December, 1979

By National Productivity Council, Bombay.

The contents of the literature are as follows -

1. 4th Chapter deals with -
 - a. Proposed information systems for proper control of production, sales and physical control of working capital.
 - b. Responsibilities of the proposed organisation structure.
2. 5th Chapter deals with -

Proposed organisation structure.
3. 6th Chapter deals with -

Proposed management information system as regards -

 - a. Costing system.
 - b. Production, Planning & Control and Sales system.
 - c. Quality control system.
 - d. Maintenance system.

This shows that the literature doesn't deal with the information system in respect of financial control of working capital.

Therefore, considering the above points the topic undertaken for study is new one.

1.8 BRIEF HISTORY OF INDIAN STEEL INDUSTRIES :

The study is concerned with reference to a mini steel plant named as, "THE KOLHAPUR STEEL LIMITED" Kolhapur. Therefore, it is necessary to know the history of Indian Steel Industries.

"The history of Indian Steel Industries begins only with the launching of TATA IRON AND STEEL COMPANY in Jamshedpur, Bhilai, in the year 1907, by Seth Jamashethaji Tata"².

2. C. M. KOTHARI, "Kothari's Economic and Industrial Guide of India", Kothari & Sons, Madras : 1982-83, Sec. Engg.P.No. 7

As Seth Jamshethaji Tata introduced Steel to India, he has been called; "The Father Of Indian Steel Industry".

"Then in 1919, The Indian Iron and Steel Company established a unit in Burnpur, near Asansol in West Bengal"³.

"In 1923, The Mysore Iron and Steel Works, the first public sector effort, commenced operations in Bhadravati in Karnataka"⁴.

Before independence, these three units were the only main steel producers in India.

1.8.1 STEEL MAKING :

The steel making may be either -

- a. Primary steel making, or (b) secondary steel making.
- a. Primary steel making is the production of steel from natural sources such as Iron ore, Limestone and Coke.
- b. Secondary steel making is the production of steel from scrap.

At present there are a very few primary steel making industries but a number of secondary steel making industries in India. Still the supply of Steel for domestic consumption in India is short enough to meet the required demand.

1.8.2 USE OF STEEL :

Steel may be used in the form of Ingots or Castings.

- a. Ingots -

Ingot is a structural steel and is used in the form of angles, plates, channels, beams, girders, rods and tubes etc.

- b. Castings -

Casting is to be used as per the requirements of the design.

3. C. M. KOTHARI, "Kothari's Economic and Industrial Guide of India", Kothari & Sons, Madras : 1982-83, Sec. Engg.P.No. 7.

4. Ibid

The steel made in mini steel plants is mainly utilised to cater the demand for long products like bars, rods and light structurals.

1.8.3 PRESENT STAUTS OF STEEL INDUSTRY :

"The working group on Steel Industry set up by the Planning Commission came up with the assessment of an annual short fall of about 5.0 million tonnes of steel between demand and indigenously available by the year 2000 A.D. after taking into account the anticipated better capacity utilisation in the integrated plants and the output from the Vizag Plant. This is based on the annual demand of only 22.5 million tonnes of finished Mild Steel by the turn of the Century when our population may reach the size of one billion"⁵.

"Our per capita steel consumption is assumed to increase from about 17 Kgs. to about 22 Kgs. at the end of this century. It is interesting to note that per capita consumption of steel in neighbouring China today is about 70 Kgs."⁶.

"The per capita consumption of steel is 500 - 600Kgs. in the industrialised countries and the world average of about 150 Kgs."⁷.

In such a condition we in India are planning on the basis of 22 Kgs. consumption in 2001 A.D. We are still left with the problem of finding an economic solution for overcoming the emerging short-falls between the demand and availability of steel. The following tables address themselves to this subject.

T A B L E 1.1
IMPORT OF FINISHED STEEL

Year	Quantity (in million tonnes)	Value (in crores)
1983-84	0.57	250
1984-85	0.70	346
1985-86	1.25	518

Source :-Steel scrap monthly : Bombay : May 1986

5. Tools and Alloy Steels :Bombay : Feb. & March 1987 P.No.49
6. Ibid
7. The Hindu:Survey of Indian IndustryMadras:1986 P.No.161

T A B L E 1.2

STEEL DEMAND

(figures in million tonnes)

YEAR	DEMAND	AVAILABILITY	GAP
1986-87	11.9	10.7	1.2
1987-90	13.9	12.4	1.5
1994-95	17.7	15.0	2.7
1999-2000	22.5	16.6	5.9

Source : Steel Scrap Monthly : May, 1986.

The available forecast of domestic steel production yields a figure of 16.6 million tonnes by the end of the century against the demand forecast of 22.5 million tonnes, leaving a gap of 5.9 million tonnes to be covered by imports. Compared with the present level of imports this would amount to a substantial increase. This would appear to present a forbidding prospect in the light of the current status of India's international trade.

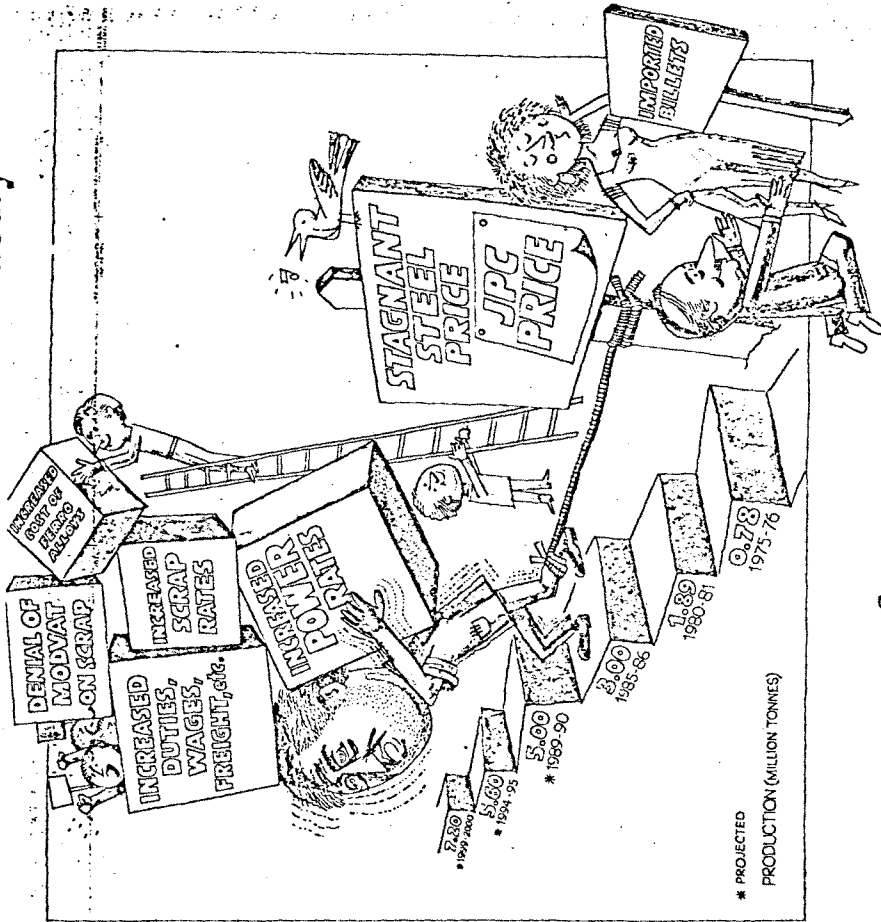
On the other hand, the present status of The mini steel industry, a part of steel industry as a whole, is clearly presented by Figure 1.1.

The figure shows that the steel price is constant and the industry can not increase the price. On the other side, it shows, how the cost of production is increasing. On either side, there is no control. And at the same time the import of billets is heartily welcomed. This is not good from the point of view of Indian Economy.

Thus, totally the present status of Steel Industry is not satisfactory.

FIGURE 1.1

The Mini Steel Industry



Source : Financial Express dtd. 24.12.1986.

1.8.4 FUTURE OF STEEL INDUSTRY :

In view of sheer magnitude of the Steel Industry and its importance to economic growth of nation, it is not surprising that both planners and producers are equally interested in knowing the future of the Industry.

Steel has been fundamental to economic growth and industrialisation for the nation. Steel industries are vast consumers of raw materials and energy, and a major source of direct and indirect employment.

The present status of steel industry reveals two major tasks for the future.

a. An increase in the capacity for steel production -

It would be more desirable to expand the domestic capacity for producing steel to cover as much of the supply-demand gap as possible than to rely on large scale imports.

b. Reduction in the cost per unit of steel produced -

It is necessary to bring into picture the present need for reducing per unit cost of steel production.

In both regards the Public sector has a major role to play. But to play this role, not only additional investment would be required but a series of measures to bring about greater efficiency in the operation of steel plants, are required. Equally important is the role of Private sector. Involvement of Private sector is likely to grow alongwith steel production capacity.

"At present the Ministry of Steel is again trying with idea of amending the Industrial Policy Resolution to allow the Private sector entry into Steel. In fact, a note arguing

this has already been prepared and is being submitted for the approval of the Cabinet"⁸.

Involvement of Private sector in Steel makes it important to adopt improved technology, process, managerial practices etc. to ensure lower cost of production.

One should also recognise that certain inputs which Steel Industry uses are either high priced or are of inferior quality. Over these characteristics of its inputs the Steel Industry has no control. Specifically, in this category the cost of energy in India is high as compared to other Countries. Excessive employment and troubled industrial relations would, atleast, partially belong this category.

In the context of the present competing demands, the prospects in this regard may not seem too bright. Tasks of bringing about significant managerial improvements, reducing excessive manning and establishing better industrial relations etc. appear to be difficult. However, the economy is in a state of change, new dimensions are emerging, new initiatives are being taken both by the Government and the Private sector. Therefore, it would be correct to expect results which may make the tasks ahead easier than they appear now.

Thus, in conclusion, we can say that the steel industry has an important place in Indian economy. It has to play a vital role in the economic development of our country. Each one of our foundry units big or small, needs to be managed efficiently if they have to offer quality products at competitive prices to consumers and also a fair return for the entrepreneur atleast for his survival.

8. Commerce : Commerce Publications Limited, Bombay, 2-8 May, 1987, P. No. 27.

1.9 CHAPTER SCHEME :

The dissertation has Six Chapters.

The First Chapter, INTRODUCTION, introduces the reader about the problem, significance of the study, objectives, methodology, scope and limitations of the study and the history as well as the present position of Steel Industries in India.

The Second Chapter, BRIEF HISTORY OF THE KOLHAPUR STEEL LIMITED, KOLHAPUR, gives idea about the company. Here, the background of its birth, up-to-date performance since beginning and more detailed study for the last five years is covered.

The Third Chapter, THEORETICAL ASPECTS OF THE STUDY, is perhaps the least interesting section, yet a vital part of the dissertation. This chapter amplifies the terms used in the problem. It describes how the subject matter i.e. Information system and the Reporting to Management should be!

The Fourth Chapter, EXISTING SYSTEM OF INFORMATION AND REPORTING TO MANAGEMENT, describes about how the system is! It also includes the collection of documents used in the present system.

The Fifth Chapter, CONCLUSIONS AND SUGGESTIONS, is the conclusive section of the work. This chapter throws light on the best policies of the management as well as on the points where the management still requires some attention for further improvement.

The Sixth Chapter, PROBLEMS FOR FURTHER RESEARCH, is helpful for the new researcher in selecting novel and significant problems.